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FINANCIAL TURN AROUND OF A. P. STATE ROAD TRANSPORT CORPORATION - A CASE STUDY

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Abstract: *A journey from brink to back, strained to success, incurring losses to earning profits, dealing with distress to prosperity is termed as Turnaround while Turnaround Strategy is a corporate practice designed, devised and deals with the deterioration of financial health in terms of increasing losses, lower Return on Capital Employed and continuous decrease in the Value of Shareholders' Wealth. The focus of the present paper is on Financial Turnaround of the Corporate viz., Andhra Pradesh State Road Transport Corporation which is the oldest Public Sector Transport Corporation with a wide network of service. An attempt has been made to diagnose and evaluate the strategies especially financial in nature adopted by the A.P. State Road Transport Corporation for its turning around during 2001-2011. A successful turnaround depends on developing appropriate turnaround prescription and implementation of effective turnaround plan. Hence, there is a focus on turnaround framework i.e., Retrenchment (Cost Cutting), Repositioning (Revenue Increasing), and Reorganisation besides the impact and incidence of Financial Strategies on the Corporate to revitalize, rehabilitate and bringing back on the tracks of profit and prosperity.*

Financial Strategies are aimed at improving liquidity, reducing investment and leverage and controlling unproductive expenses. Financial Strategies adopted by A.P. State Road Transport Corporation inter alia include controlling unproductive expenses, cutting of administrative expenses especially overheads, reducing investment and leverage, sale of obsolete, infrequently used assets, unprofitable divisions and subsidiaries to raise more equity. The results of the Chi-Square Test, Freedman Test and Confirmatory Factor Analysis provide an insight about the impact and incidence of Financial Strategies on Turnaround of the Corporate. The implication of the study is that the Financial Turnaround Strategies adopted by A.P. State Road Transport Corporation which have an influence on the process of Turnaround in a much wider context keeping in view the healthy and holistic Corporate immune system to sustain long-term growth.

Key Words: 3Rs', APSRTC, F-Test, CFA.

JEL Classification: R4, R49

EPILOGUE

The term 'Turnaround' has been defined as performance decline followed by performance improvement (Schendel *et al.* 1976[1]; Robbins and Pearce, 1992[2]). A

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Corporate Turnaround as the recovery of a firm's economic performance following an existence-threatening decline (Pandit,2000[3], Walshe, 2004[4]). Yet, Khandwalla[5] defines corporate decline as a loss situation and turnaround as equivalent to reaching at least a break-even from a loss situation.Turnarounds cannot be sensibly analysed without taking into account the context of the financialobligations and related governance arrangements (Igor and Toms, 2006[6], Kumar, 2003[7]). Slashing labor costs, production costs, selling andadministrative expenses, R&D expenditure, and financing costs is a common strategy used in the earlystages of corporate turnarounds (Denis and Kruse, 2000[8], Beixin *et al.,* 2008[9]).However, Asset-reduction strategies have been recommended for failingcompanies in order to improve cash inflows (Hofer, 1980[10], Hambrick and Scherrer, 1983[11]) which would help in meeting the immediate cash obligations as well as forcreating more productive assets.

Andhra Pradesh State Road Transport Corporation (APSRTC) is a state owned public utility service organization with a primary focus of serve the society by providing efficient, economical and reliable transport facility[12]. APSRTC is an organisation committed to the man on move and society at large and started service in June, 1932 as a unit of Nizam State Railways and as Road Mechanical Transport Services Division (NSR-RTD) with 27 buses, 166 employees and a capital outlay of 3.93 lakhs brings transportation to the door step of the villages of the State thereby contributing to the overall development of the State. APSRTC has a largest fleet of 22,333 buses covering a route length of 77.48 lakhs km daily and a network of 778 bus stations and 1,881bus shelters, 1,15,317 human resource, 216 bus depots operating 98 per cent its fleet and transports around 113.82 lakhs people daily as on 31stAugust, 2014.

EMPIRICAL EVINCES

For a comprehensive kaleidoscope of the literature pertaining to corporate financial turnaround some of the significant studies have been reviewed in brief for a comprehension and also for identifying the research gap. An attempt has been made to begin with developing theory and science in exploring financial corporate turnaround strategies for the revival and rejuvenation of the corporate.

Martin Schmuck (2014)[13] empirically investigated the phenomenon of financial distress and corporate turnaround on a sample of 194 publicly listed automotive suppliers. The efficacy and efficiency of financial turnaround strategies is analysed and devised a successful turnaround model for distressed corporate and compared it with the strategies of non-distressed. Prakash K Bhanu (2014) [14] lucidly presents the financial turnaround strategies adopted by APSRTC for its turning around. The dimensions and strategies of financial turnaround prescribed, insights and intricacies besides the action-orientation for corporate revival and rejuvenation observed and suggested the Corporation to regain financial strength besides increasing revenue, controlling costs, improving safety and service quality parameters which likely to have a positive impact on the financial performance of the Corporation.John A. Pearce II (2007)[15] critically evaluated the financial profiles of companies and advocated three-phase model of turnaround *viz.,* (i) proposing and assessing linkages between financial ratios; (ii) guiding the empirical analysis; and(iii) leading to a statistical grouping of relevant financial ratios associated with turnaround success. Finally, suggested that the success of a company's turnaround tactics can be guided by the financial ratios.Desh Gupta and MilindSatya (2006)[16] evaluated the factors that led to the financial turnaround of Indian Railways. The insights on financial performance of Indian Railways reveal the financial strategies play crucial role for turning around public sector complex sick organizations. The Financial Turnaround of Indian Railways is a function of 3Rs' *viz.,* Retrenchment, Repositioning and Reorganization besides environmental conditions and factors. A $10 Billion Ford Turnaround (2004) [17] is a daunting task of steering the big blue ship into profitable waters. The steps taken to control bleeding red ink *inter alia* include: (i) reduce costs in everything *i.e.,* Non-Value Added Costs, Non-Production and Material Costs; (ii) divestment of non-core businesses that didn't make sense; (iii) enhanced Revenue Management through monitoring prices, tracking of products and processes and (iv) keep making investments in future that made financial sense was a part of Ford's Turnaround Strategy. The Smooth Financial Turnaround (2003) [18] of JCT, MM Thapar Group Flagship, provides insights about the *modus operandi* of financial, business and operational restructuring. As part of the entire recast, it utilized its 100 per cent capacity in order to cope with increasing demand, and a debt recast proposal was approved by Financial Institutions to address the issues of high interest cost and difficulty in technology absorption. In addition to this, promoters chipped in Rs 80 crore in the form of equity and convertible debt instruments and FIs converted debt of Rs 16 crore into equity. This was followed by trimming down the staff strength from 9,000 to 7,000 after the execution of Voluntary Retirement Schemes. All the turnaround efforts made JCT a financially feasible, viable and prosperous.Henry A. Davis and William W. Sihler (2002) [19] present financial turnarounds of twenty industries in every key industry segment. They provided EWS (Early Warning Signals), in-depth case summaries and found that the CFO played a vital role in turning the company around. Finally, they offer practical guidance for recognizing the EWS of financial disaster and taking effective action to avoid it. Sudi Sudarsanam and Jim Lai (2001)[20] examined potentially bankrupt UK firms and track their financial turnaround strategies *viz.,* (i) operational, (ii) asset, managerial and (iii) financial restructuring for a period of three years from distress.They evinced that majority of non-recovery firms than recovery firms financially restructure their operations, cut or omit dividends and restructure their debts in each of the two post-distress years. Nevertheless, non-recovery firms seem far less effective in strategy implementation than their recovery counterparts. Whereas recovery firms adopt growth-oriented and external-market focused strategies, non-recovery firms engage in fire-fighting strategies. Mathew J. Manimala (1991) [21] empirically examined the strategies adopted by Indian Railways for its turning around and observed financial performance measures gauged from four indicators *viz.,* (i) operating ratio; (ii) net surplus, (iii) dividend paid; and (iv) revenue to capital ratio. Finally, opined financial strategies associated with turnaround are aimed at (a) improving the liquidity position; (b) reducing investment and leverage and (c) controlling unproductive costs. Robert D. Boyle and Harsha B. Desai (1990) [22] diagnosed nine financial causes of business failure *viz.,* (i) inadequate manage of cash and capital requirements; (ii) failure to analyse financial statements; (iii) improper management of accounts receivable; (iv) underutilization of assets; (v) declining profit margins; (vi) lowering prices or offering discounts; (vii) large increase in debt; (viii) maintaining excessive inventories; and (ix) over expenditure in the face of a large influx of cash and suggested implementation of sound financial approach *i.e.,*foolproof financial monitoring systems and controls is an imperative to achieve growth and profitability.Richard Pascale and Thomas P. Rohlen (1983) [23] outline financial turnaround dimension of Mazda Motors, Japan. They propounded three stages of financial turnaround (i) Rescue Stage; (ii) Cost- Cutting Stage; and (iii) Recovery Stage. Cutting of costs, boosting up of sales, trying to keep ahead of cash flow, holding creditors in place are some of the turnaround efforts prescribed. As a result, profits and dealer margins improved greatly and the suppliers themselves gained from both increased sales to and shorter payment terms and finally retaining the loyalty of suppliers and dealers.

DATA BASE AND METHODOLOGY

The study is based on primary as well as secondary data. Structured Questionnaire is canvassed among Operational and Managerial Staff and is the basis for collection of primary data. The secondary sources include Official Records, Annual Reports, Performance and Review Reports of the Corporation supported by the Comptroller & Auditor General (CAG) Commercial Reports, Published Articles from the Standard Journals and the literature from Reputed Books, Unpublished Dissertations.

Objectives of the Study

The main objective of the study is to diagnose and evaluate the financial strategies adopted by the A.P. State Road Transport Corporation for its turning around. The other peripheral objectives are:

1. to evaluate the financial position and performance of the A.P. State Road Transport Corporation.
2. to examine the financial strategies adopted by A.P. State Road Transport Corporation at different levels of operation.

3. to suggest policy measures for effective and efficient functioning of A.P. State Road Transport Corporation enable it to operate at a profitable level by employing specified financial turnaround strategies.

Hypothesis of the Study

For the purpose of the present study it is hypothesized that

H_1: Capital Structure Composition and Debt To Equity Ratio of A.P. State Road Transport Corporation reflects Financial Position and Performance.

H_2: The burden of debt drains into the profits of the A.P. State Road TransportCorporation.

H_3: Liquidity, Leverage, Investment and Turnover Reflections of the A.P. StateRoad Transport Corporation stands as x-ray body of the Corporate.

H_4: Financial Strategies have a significant positive relationship on CorporateTurnaround.

Scope of the Study

Though the study is broadly christened as financial turnaround management of the corporate, the focus is specifically on the financial strategies adopted with regard to A.P. State Road Transport Corporation. The study covers the financial profile of the entity, exclusively the turnaround strategies adopted, their fit and implementation besides the turnaround strategies ought to be pursued and the sustainability, success of the Corporation as a commercially viable entity in the regime of reforms.The feel, perceptions and expectations of Operational and Managerial Staff are elicited and analysed for presenting a comprehensive kaleidoscope of financial turnaround of the Andhra Pradesh State Road Transport Corporation.

Period of the Study

The study covers a period of 10 years between 2001 and 2011 for all pertinent analysis. For the purpose of financial analysis besides the presentation of comprehensive profile of the Corporation the time period beyond the stated period of the study is covered.

Sample Design

AP State Road Transport Corporation operates its buses under the administrative control of 7 Zones *viz.,* Greater Hyderabad (24 depots), Hyderabad (28 depots), Karimnagar (37 depots), Vijayawada (32 depots), Vizianagaram (27 depots), Kadapa (31 depots) and Nellore (31 depots) under the administrative control of 23 Regional Managers. These zones are considered as strata for the selection of the sample of the Operational Staff.

In each of the zones 20 per cent (*i.e.*, 42 depots) of the total (210 depots) depots was selected for collection of primary data. The *stratified proportionate random sampling method* is adopted for this study. The depots selected for the sample (42 depots) has connected to urban, semi-urban and mofussil services. This study is confined to the 126 services (*i.e.,* 42 depots multiplied by 3 aforecited services) operated by APSRTC in all regions.

The Operational Staff is a blended mix of front-line operational force consisting Bus Drivers and Conductors, Traffic Inspectors (TIs) etc., In selectingthe sample of Operational Staff, purposive sampling method is adopted. The structured questionnaire is canvassed among 1512 operational staff with a blended mix 756 conductors and drivers each and 42 Traffic Inspectors. From the survey, it is observed that 16.6 per cent of the biased and unfilled subjects are rejected. Therefore, the study considers 83.34 per cent of the subjects which comprising of 630 conductors and drivers each and 42 Traffic Inspectors which is found to be satisfactory at 95 per cent level of significance.

Limitations of the Study

The study is designed schematically it is not without certain limitations. Some of the limitations *inter alia* include:

- As the study is based upon primary as well as secondary data, the secondary data sources vary widely in reporting. Difficulties are faced in authenticating the data with a reference to the official records.
- As the A.P. State Level Public Sector Undertakings experienced delay in annual account reporting updated information could not be obtained.
- In collecting the primary data, respondents bias do exist.
- The percentages and averages are rounded off to the nearest decimal point thus lacking exactness.

RESULTS AND DISCUSSION

FINANCIAL POSITION AND PERFORMANCE OF APSRTC

The Financial Position and Performance of the A.P. State Road Transport Corporation has been evaluated on the basis of capital structure composition besides liquidity, leverage and turnover reflections of the Corporation. These reflections focus on multi-dimensional financial performance scenario of the Corporation during 2000-01 to 2010-11.

Capital Structure Composition and Debt - Equity Ratio of A.P. State Road Transport Corporation

As it is evident from the above table 2, the paid-up capital reflects the static picture (Rs. 201.27 Crores) with the composition of Rs.140.20 Crores from the State

Table 1
Selection of Sample of Operational and Managerial Staff

S. No.	*Zone(s)*	*No. of Depots*	*20% of Depots*	*Services Selected (Urban+ Semi Urban+Moffusil)*	*No of Operational Staff Per Bus*[$]	*Rejected Unfilled Questionnaires*	*Selected Sample of Operational Staff*	*Traffic Inspectors (Tis')*
1	Greater Hyderabad	24	5	5 x 3= 15	15 services* (6conductors+6 Drivers) = 180	22	158	1 Traffic Inspector from each selected Depot i.e., 42 depots x 1TI = **42**
2	Hyderabad	28	6	6 x 3= 18	216	36	180	
3	Karimnagar	37	8	8 x3= 24	288	80	208	
4	Vijayawada	32	6	6 x 3=18	216	26	190	
5	Vizianagaram	27	5	5 x 3= 15	180	28	152	
6	Kadapa	31	6	6 x3= 18	216	35	181	
7	Nellore	31	6	6 x3= 18	216	25	191	
	Total	**210**	**42**	**126**	**1512**	**252**	**1260**	

Therefore, total selected operational staff = 1260 (630 drivers + 630 conductors) + 42 TI's = 1302

[$]Total number of operational staff per bus as per Corporation Records=5 (1 Mechanic + 2 Drivers + 2 Conductors).

Table 2
Capital Structure Composition and Debt - Equity Ratio of A.P. State Road Transport Corporation During 2000- 01 To 2012-13.

(Rupees in Crores)

Year (s)	*Paid-Up Capital*				
	State Government	*Central Government*	*Total*	*Loans Outstanding*	*Debt - Equity Ratio*
2000-01	140.20 (69.65)	61.07 (30.34)	201.27 (100)	582.84	2.89
2001-02	140.20 (69.65)	61.07 (30.34)	201.27 (100)	754.07	3.74
2002-03	140.20 (69.65)	61.07 (30.34)	201.27 (100)	821.84	4.08
2003-04	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1040.98	5.17
2004-05	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1325.88	6.58
2005-06	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1156.99	5.25
2006-07	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1095.68	5.44
2007-08	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1299.73	6.45
2008-09	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1404.46	6.97
2009-10	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1410.21	7.00
2010-11	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1336.18	6.63
2011-12	140.20 (69.65)	61.07 (30.34)	201.27 (100)	2033.64	10.10
2012-13	140.20 (69.65)	61.07 (30.34)	201.27 (100)	1679.54	8.34
CAGR	0	0	0	12.48	-

Note: Figures in Parentheses indicate Percentage To Respective Total. Source: 1. Annual Reports Of APSRTC (2000-01 To 2013-14) 2. Comptroller and Auditor General (CAG) Reports (2000-01 To 2013-14).

Government and Rs. 61.07 Crores from the Central Government and the Corporation relies increasingly on debt-capital.

Debt drains into the Profitsof A.P. State Road Transport Corporation

Table 3 presents the ratio of debt to profits. During the period under reference, except during the years 2007-08 and 2008-09 the Corporation incurred financial losses and the burden of interest drains into the profits of the Corporation and contribution to the losses over the years under review.

A Ratio Analytical Performance Focus

Liquidity Ratios of APSRTC Ltd.

Except during the year 2010-11, in no year under reference the Corporation recorded the Current and Quick Ratio even equal to unity. Absolute Cash Ratio of 0.32 in 2000-01, though stood at 0.38 in 2004-05 phenomenally came down to stand at 0.01 in 2010-11.

Profitability Ratios of APSRTC Ltd.

Table 5 presents the Profitability Ratios of A.P. State Corporation during 2000-01 to 2010-11. Gross Profit Ratio shows fluctuating trend and Net Profit Margin could not cut an impressive picture of profitability over the years under the review. Moreover, it drives home the observation that on the path of the profitability the performance of the Corporation is at the low key and it could not turn the corner. Operating Expenses Ratio indicates that there is an imperative need for control of costs of the Corporation and Operating Profit Ratio, a yardstick

Table 3
Debt Drain and Burden on A.P. State Road Transport Corporation During 1999-2000 To 2012-13

(Rupees in Crores)

Year(s)	*Profit / (-) Loss*	*Payments on Debts (In terms of interest)*
1999-2000	-151.85	45.09 (29.69)
2000-01	-209.95	63.15 (30.08)
2001-02	-272.07	86.91 (31.94)
2002-03	-181.67	97.34 (53.58)
2003-04	-42.02	105.21 (250.38)
2004-05	-224.86	102.95 (45.78)
2005-06	-42.78	73.15 (170.99)
2006-07	-111.82	76.13 (68.08)
2007-08	135.67	91.25 (67.26)
2008-09	110.78	116.87 (105.50)
2009-10	-514.55	114.63 (22.28)
2010-11	-317.37	145.80 (45.94)
2011-12	-585.30	271.84 (46.44)
2012-13	-80.71	368.61 (456.70)

Note: Figures in Parentheses indicate Percentage To Respective Total.Source: 1. Annual Reports of APSRTC (2013-14). 2. Comptroller and Auditor General (CAG) Reports (2013-14).

of operational efficiency, reveals that APSRTC could not convert revenue into net operating profit.

Leverage Statusof APSRTC Ltd.

Capital Structure Ratios provide an insight into the extent to which non-equity capital is used to finance the assets of the firm. The leverage ratio, as indicated by the Debt-Equity ratio of A.P. State Road Transport Corporation during 2000-01 to 2010-11 is presented in Table 6.4. The ratio of debt to equity very much signifies the structural strength of any organization financially.

Table 4
Liquidity Ratios of APSRTC Ltd., during 2000-01 To 2010-11

Liquidity Ratios (in per cent)

Year(s)	*Current Ratio*	*Quick Ratio*	*Cash Ratio*
2000-01	0.76	0.57	0.32
2001-02	0.63	0.52	0.30
2002-03	0.53	0.43	0.29
2003-04	0.81	0.69	0.27
2004-05	0.75	0.65	0.38
2005-06	0.52	0.41	0.16
2006-07	0.56	0.49	0.07
2007-08	0.74	0.68	0.07
2008-09	0.94	0.88	0.07
2009-10	0.78	0.74	0.03
2010-11	1.04	1.01	0.01

Source: Compiled and Computed From Various Annual Reports Of APSRTC, (2000-11).

Table 5
Leverage Ratios of APSRTC during 2000-01 To 2010-11

Year	*Debt - Equity Ratio (in per cent)*	*Times Interest Earned Ratio (in times)*
2000-01	1.03	0.14
2001-02	1.4	-0.53
2002-03	1.59	0.54
2003-04	2.16	1.59
2004-05	3.02	-2.18
2005-06	2.81	-0.51
2006-07	2.8	-1.46
2007-08	3.8	1.49
2008-09	4.63	0.95
2009-10	5.36	0
2010-11	6.63	0

Source: Compiled and Computed From Various Annual Reports Of APSRTC, (2000-11).

Table 6

Financial Turnaround Strategies Adopted By A.P. State Road Transport Corporation - Level of Agreement

S. No	*Financial Strategies*	*Level of Agreement*					*Total*	*Friedman's Mean Rank*
		Hardly At All	*To Some Extent*	*Moderately Extent*	**Large** *Extent*	*To a Very Large Extent*		
1	Asset and leverage reductions constitute one of the components of turnaround finance strategy	78(6.0) (26.8)	178(13.7) (16.9)	359(27.6) (19.2)	502(38.6) (15.7)	185(14.2) (13.2)	**1302(100.0) (16.7)**	**3.20**
2	Controlling unproductive expenses	29(2.2) (10.0)	114(8.8) (10.8)	315(24.2) (16.9)	657(50.5) (20.5)	187(14.4) (13.3)	**1302(100.0) (16.7)**	**3.68**
3	Cost reduction is the other way of cutting administrative expenses especially overhead expenses	36(2.8) (12.4)	176(13.5) (16.7)	360(27.6) (19.3)	510(39.2) (15.9)	220(16.9) (15.7)	**1302(100.0) (16.7)**	**3.50**
4	Reducing investment and leverage	71(5.5) (24.4)	180(13.8) (17.1)	186(14.3) (10.0)	630(48.4) (19.7)	235(18.0) (16.8)	**1302(100.0) (16.7)**	**3.59**
5	Sale of obsolete, infrequently used assets, and unprofitable divisions and subsidiaries	28(2.2) (9.6)	199(15.3) (18.9)	287(22.0) (15.4)	535(41.1) (16.7)	253(19.4) (18.1)	**1302(100.0) (16.7)**	**3.56**
6	To raise more equity	49(3.8) (16.8)	205(15.7) (19.5)	360(27.6) (19.3)	367(28.2) (11.5)	321(24.7) (22.9)	**1302(100.0) (16.7)**	**3.47**
	Total	**291(3.7) (100.0)**	**1052(13.5) (100.0)**	**1867(23.9) (100.0)**	**3201(41.0) (100.0)**	**1401(17.9 (100.0)**	**7812(100.0) (100.0)**	

Chi Square = 67.215; Degrees of freedom = 5; Asymptotic Significance = 0.000

Table 7
Results of the Confirmatory Factor Analysis for Hypothesized Structural Model for Financial Turnaround Strategies & Corporate Turnaround

Dimension	*Indicator*	*Parameter Estimate*	*Standard Error*	*T-Statistic*	*p-level*	*Cronbach's alpha*	*Hotelling's T- Squared*	*F- value*
Financial Strategies	(Financial Strategies)—>[FS1]	0.060037	0.033171	1.809916	0.070	0.6953	68.6450	13.6868
	(Financial Strategies)—>[FS2]	0.380534	0.0261	14.57973	0.000			
	(Financial Strategies)—>[FS3]	0.394344	0.029956	13.16387	0.000			
	(Financial Strategies)—>[FS4]	0.898978	0.028815	31.19807	0.000			
	(Financial Strategies)—>[FS5]	0.891398	0.027094	32.90023	0.000			
	(Financial Strategies)—>[FS6]	0.710133	0.026538	26.75946	0.000			

Source: Compiled and Computed from Primary Data

Increasing Debt Burdenof APSRTC Ltd.

As it is evident from the Table 5, the debt equity ratio of 1.03 in the year 2000-01 increased to 4.63 in 2008-09 and further to 6.63 in 2010-11. It is also evident from the table the times interest earned ratio of APSRTC experienced wide fluctuations over the years under reference. The ratio of 0.14 times in 2000-01, though positively stood at 1.59 in 2003-04, came down to -1.46 times in 2006-07 and finally stood at dismal in 2009-10 and 2010-11.

Corporate Financial Strategies - A Conceptual Focus

Financial Turnaround Strategies play a vital role in turning around the complex sick organizations. The objective of financial strategy in corporate turnaround is to develop the financial strength of the business as an asset to enhance the competitiveness of the business (Scherrer. F. 2003)[24]. Turnaround efforts will be successful subject to the Going Concern Value of the business must be greater than its Liquidation Value. Asset liquidity can be an important determinant of corporate capital structures. Financial Ratios are reflections of financial strength and stand as an x-ray body of the Corporate.

Organizations adopt several financial strategies such as reduction in the par value of shares, obtaining loans at low rates of interest, postponement of maturity of debts, and conversion of debt into equity (Kumar.A.2003)[25]. Robbins and Pearce (1992)[26] have also observed that the choice of turnaround strategies is linked to the company's financial performance. The financial strategies for turnaround should use more of asset reduction strategies rather than cost reduction (Howard, L. J. 2006)[27].

Some of the Financial Turnaround Strategies *inter alia* will include: Financial Restructuring with the approval of lenders is one of the dynamics of turnaround management. Debt / Equity Swaps, infusing additional Equity, managing Net Current Assets (Working Capital), Creditors and Debtors Agreements, Sale of obsolete or unused assets, generating revenue, cost control and budgeting, Refinancing *i.e.,*not only infuse additional funds in the form of loan or equityfinance, but also changing the existing capital structure *per se.*

Financial Turnaround Strategies Adopted By A.P. State Road Transport Corporation- A perceptional View

Table 8 indicates that as a result of an increase in standard deviation by 1 in the latent variable *i.e.,* financial strategies, there will be an increase in standard deviation of the indicator FS4 by 0.898978. The standard deviations of other indicators such as FS5, FS6 and FS3 would be increased by 0.891398, 0.710133 and 0.394344 respectively. It is also evident from the table, all indicators of latent variable *i.e.,* financial strategies have higher significance with their parameter estimates except for the indicator FS1. The results of the T-statistic reveal that the path coefficients for the indicators are significant at 1 per cent level of significance except for FS1. It can be inferred from the table the values of latent variable FS4 followed by FS5 and FS6 which have significant impact on the process of turnaround.

FINDINGS OF THE STUDY

The following are the observations emanated from the present study.

1. Liquidity position in terms of current ratio of the APSRTC is not satisfactory,higher debt-equity ratio indicates the increasing burden of debt and the trend of interest coverage is mostly on a negative note which requires an analytical insight for improving the financial image of the corporation.
2. Gross Profit Ratio shows fluctuating trend and Net Profit Margin could not cut an impressive picture of profitability. Operating Expenses Ratio indicates that there is an imperative need to control of costs of the Corporation and Operating Profit Ratio, a yardstick of operational efficiency, reveals that APSRTC could not convert revenue into net operating profit.
3. Though the leverage contributes to the Wealth Maximization objective, an increasing debt is a burden and increases the risk perception. The trend of Interest Coverage is mostly on a negative note which requires an analytical insight under review for improving the financial image of the Corporation.
4. The efficiency of utilizing Total Assets of the Corporation has come down over the years indicating an alarming decline in the Turnover of Total Assets. There is a marginal improvement gradually in the efficiency of Fixed Assets utilization over the years. The efficiency of the Corporation in managing Current Assets has experienced an alarming downtrend especially Working Capital of the Corporation recorded negative but with a degree of difference in intensity. The turnover of Inventory is fairly high and good which signifying an improved efficiency in managing the inventory.
5. Debtors witnessed a dilution during the past five years and the ACP further reflects there is a lag in collection period over the years. The delay in collection of dues from the Government and Agencies stances the dominant reason for the situation.
6. Higher Creditors' Turnover Ratio is a good sign and it will decrease the average payment period and Suppliers extended more liberal credit to the Corporation over the years.

7. The findings in relate to Financial Turnaround Strategies Adopted by APSRTC *vis-à-vis* the level of agreement are presented in Table 7. As evident from the table, raising of equity through Initial Public Offer (IPO) or private equity or issue of debentures or debt financing is the first prioritised strategy according to 24.70 per cent of the respondents.
8. Sale of obsolete, infrequently used assets and unprofitable divisions of the Corporation is the second priority of 19.40 per cent of the respondents. Asset reduction and debt-reduction are two pillars of financial turnaround as per the opinion of the 18 per cent of the respondents and third rated strategy of the Operational Staff.
9. Implementation of aggressive cost and asset reduction techniques such as slashing labor, selling and administrative and R&D expenditure is fourth rated attribute as per the opinion of 16.90 per cent of the respondents and control of unproductive expenses and financial restructuring which leads to lean management is the fifth rated strategy according to 14.50 per cent respondents.
10. Finance strategy is a common strategy which is used in the early stages of corporate turnarounds. Finally, 14.20 per cent opine asset reduction strategies for failing companies in order to improve cash inflows.
11. As per Friedman's Rank Test, the first significant strategy is controlling of unproductive expenses (3.68) of the Corporation, reduction of investment and leverage (3.59), sale of obsolete, infrequently used assets, and unprofitable divisions and subsidiaries (3.56) and reduction of administrative overheads (3.50) are ranked the second, third and fourth respectively. Funds raising through different means (3.47) and reduction of asset base and leverages (3.20) are placed in the fifth and sixth respectively.
12. The Chi-Square value of 67.215 with 5 degrees of freedom is high, and it can be concluded that the respondents do not have equal levels of satisfaction for all the turnaround strategies which are adopted by the Corporation.
13. The proposed Structural Equation Model (SEM) reveals (Table-8), the six variables considered as financial turnaround strategies under various sub-dimensions satisfied the desired Cronbach's Alpha coefficient of 0.6 which is recommended for the attainment of internal consistency. The results of Hotelling's T- squared and F-value confirm that the means of the select variables was significantly different among each other. This indicates that there is no equivalence among all the items which are considered for the present study.

SUGGESTIONS

With a view to improve operational as well as financial performance of A.P. State Road Transport Corporation, a number of measures have been suggested. These measures would help to turnaround the Corporation and regain financial strength besides increasing revenue, controlling costs, improving safety and service quality parameters and likely to have a positive impact on the performance of the Corporation. The pertinent suggestions include:

1. The APSRTC primarily concentrate on the objectives of positive cash flows and profits for its survival, success and sustainability.
2. The strategic causes observed in turning around of APSRTC include decrease in profit margins, increased wages, competition from private operators, and managerial problems and among operating causes the depressed price levels, recession, strikes and labour problems. Hence, it is suggested the Corporation adopt strategic moves to overcome strategic causes viz., vertical integration, diversification, divestment and changes in structure of management. Besides, operational responses to meet operational causes emphasis is on functional area and improvement in efficiency ratios are significant. Successful turnarounds are result of simply efficiency moves.
3. The Corporation should focus its attention on cost reduction strategies such as reducing operational expenses, Bus / Staff Ratio (BSR), fleet maintenance expenses, Cost Per Kilometer (CPK) etc.,
4. The Corporation should make cost-benefit analysis in respect of routes operated into profitable and unprofitable so that it attains economic feasibility and also hire more number of hired buses as the cost of operation of buses is much lower than that of its own fleet.
5. The Government should provide adequate financial support so as to enable the Corporation to pay off outstanding debts (at least 50 per cent of outstanding loans), subsidize the Corporation either in the form of cash subsidy or tax incentives which improves financial viability. In fact, it is suggested that Government should establish a special institutional set up for funding the Corporation.
6. Expenses on repair and maintenance can be curtailed by reducing the number of over age buses besides and by hiring more buses.
7. Manpower should be rationalized by introducing Voluntary Retirement Schemes (VRS) and by removing the imbalance in the category of drivers and conductors.
8. Expenses on fuel may be controlled by improving habits of drivers through regular training courses and by proper maintenance of fleet. Economy

related incentives should be offered to the drivers and operational staff economizing fuel.

CONCLUSION

Turnaround Management has been emerged as one of the critical and toughest challenges of the Corporate in modern era. The following are the prospective areas for further research *viz.*,Financial Dynamics in Turnaround Management - A Study With Reference To APSRTC, Turnaround Management - Financial Strategies of Corporate Turnaround - A Case Study, Financial Performance *vis-à-vis* Financial Turnaround Strategies - A Study on State Road Transport Undertakings, Financial Distress and Diagnosis - A Prescriptive Study on APSRTC etc., Devise and develop strategies on the *afore cited* dimensions and establish relationship between the gestalts of cause and strategy is the dire need of future research. There is also a dire need of policy measures which would help to turnaround the Corporation and regain financial strength besides increasing revenue, controlling costs and likely to have a positive impact on the performance of the Corporation.

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